Fortescue Metals Group
Macquarie Forum

September 2018

Fortescue
The New Force in Iron Ore

Forward looking statements

Disclaimer

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Additional Information

This presentation should be read in conjunction with the Annual Report at 30 June 2018 together with any announcements made by Fortescue in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

Any references to reserve and resources estimations should be read in conjunction with Fortescue's Ore Reserves and Mineral Resources statement for its Hematite and Magnetite projects at 30 June 2018 as released to the Australian Securities Exchange on 17 August 2018. Fortescue confirms in the subsequent public report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of estimates of mineral resources or ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

All amounts within this presentation are stated in United States Dollars consistent with the functional currency of Fortescue Metals Group Limited, unless otherwise stated. Tables contained within this presentation may contain immaterial rounding differences.

FMG Fortescue The New Force in Iron Ore

Building a world class company

Core supplier to China

Shipped over 1 billion tonnes

Low cost producer

170mt Annual production rate

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Safety and unique culture

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Looking out for our mates

3.7
TRIFR

23%
reduction SIFR

94%
Safety and Culture survey participation

Delivering FY18 results

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TRIFR 3.7

170mt
Shipped

C1 cost
US$12.36/wmt

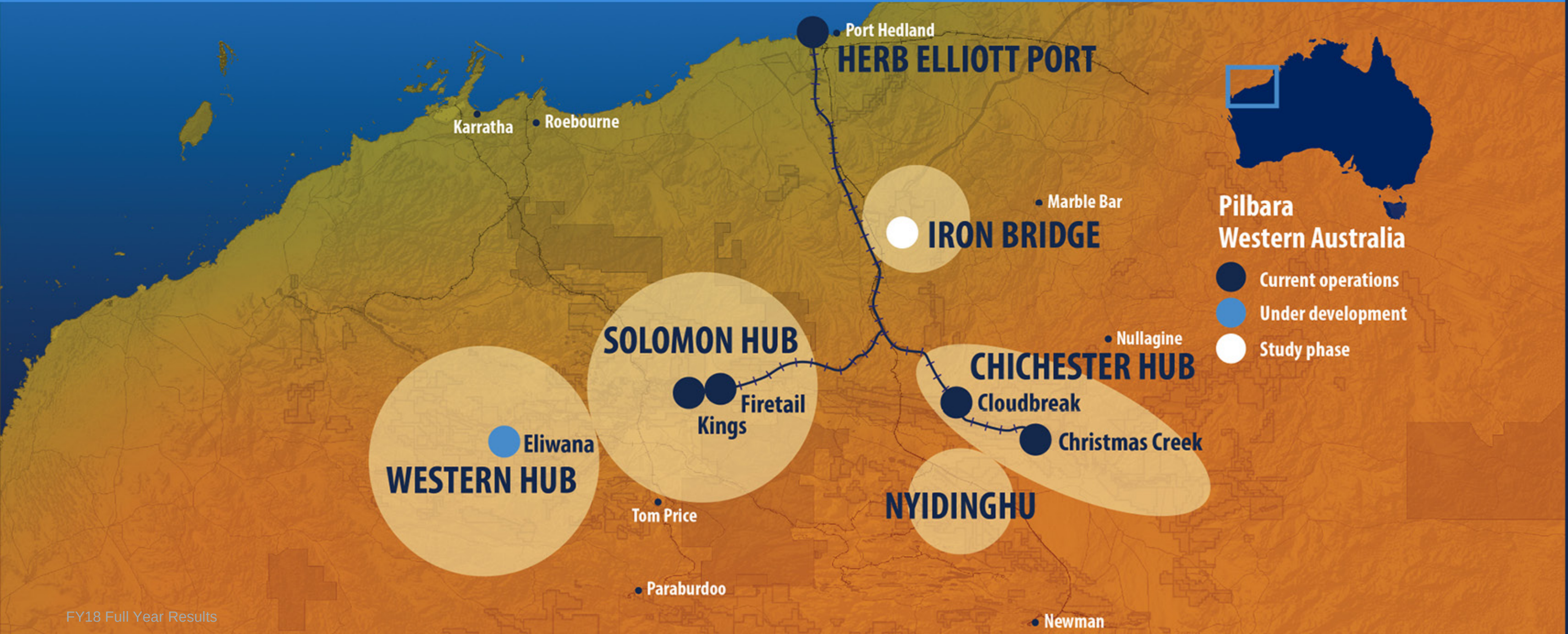
24%
Net gearing

A$0.23 per share
Total dividends
62% of FY18 NPAT

US$4.0bn
Gross debt

Integrated mining and infrastructure operations

Focus on safety, production and cost

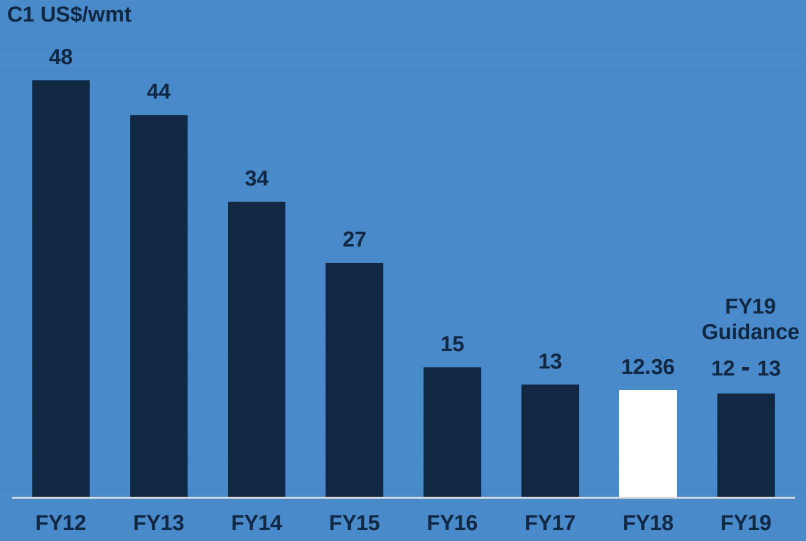


Sustainable cost improvements

Structural improvements
Solomon + blending + processing

Productivity and efficiency
Utilisation, recoveries, maintenance

Innovation and technology
Autonomy, gas, ore carriers, data analysis



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Financial performance

FY18 financial outcomes

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US$3.2bn
Underlying EBITDA

US$1.1bn
Underlying NPAT

US$878m
Reported NPAT

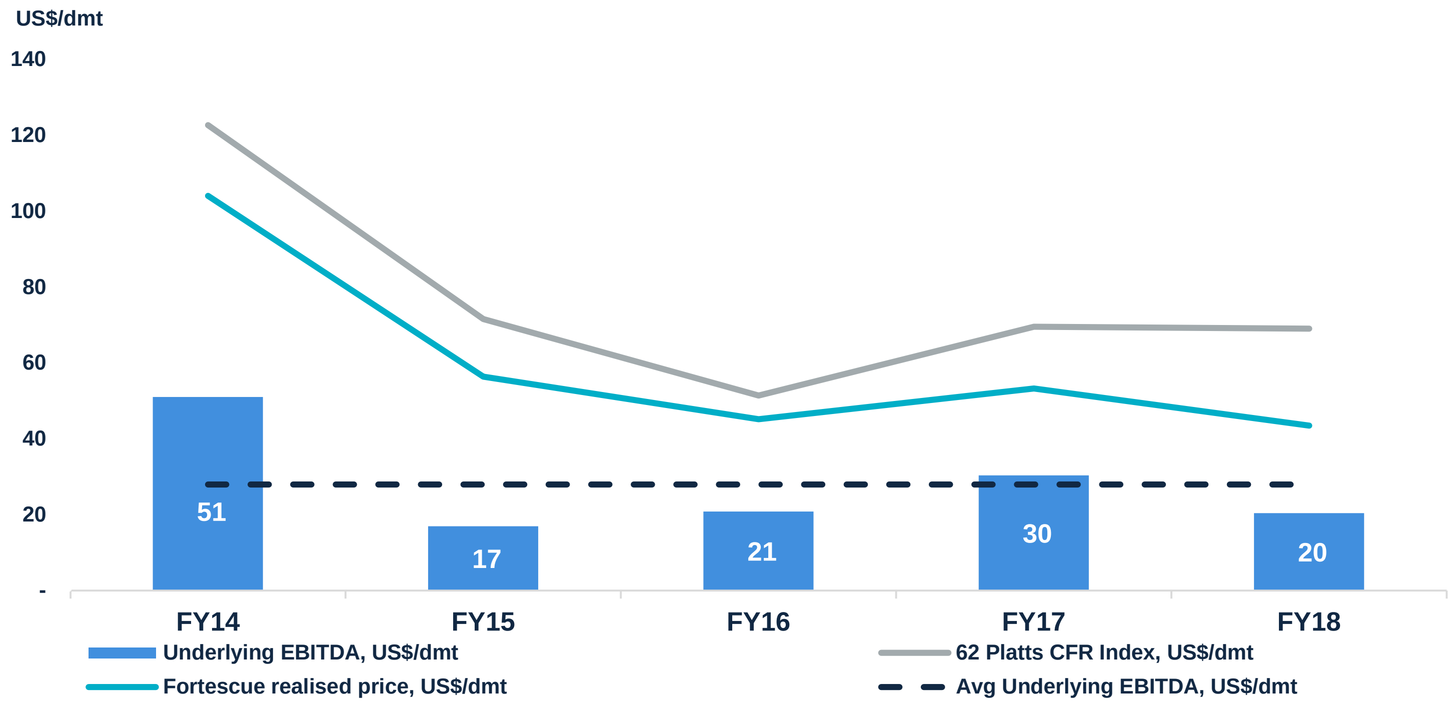
US$3.0bn
Cash from operations

US$863m
Cash on hand

A$0.12 per share
Fully franked final dividend

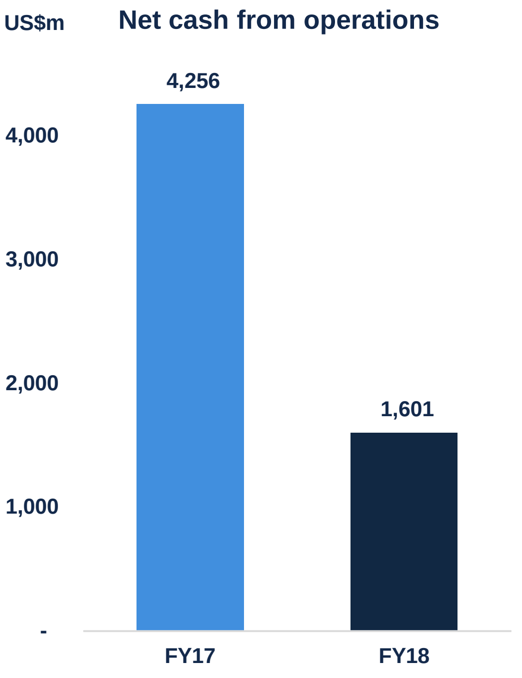
Price and margins

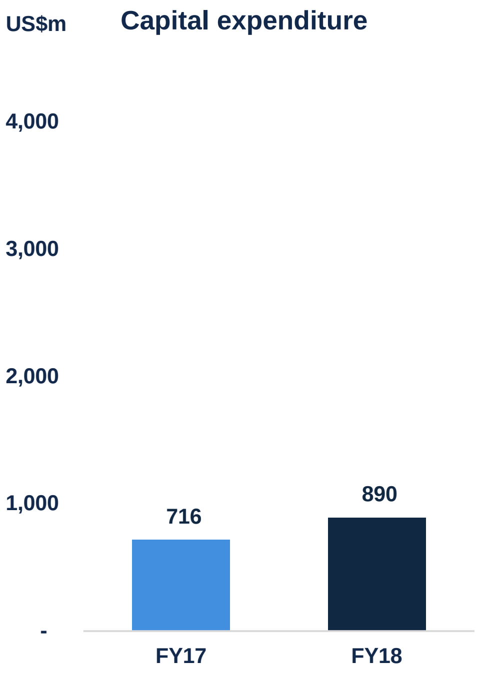
Cost leadership and efficient operations generating cash margins

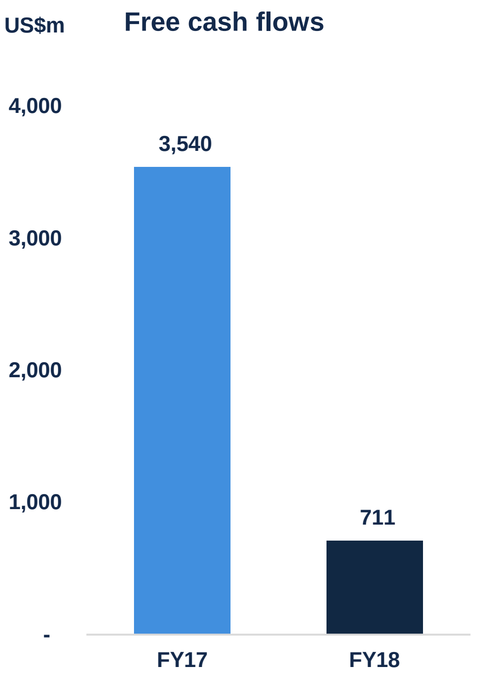


Cash flows

Generating strong underlying cashflows from operations



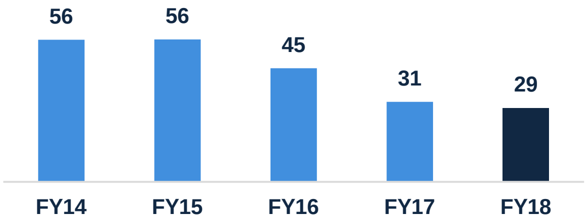




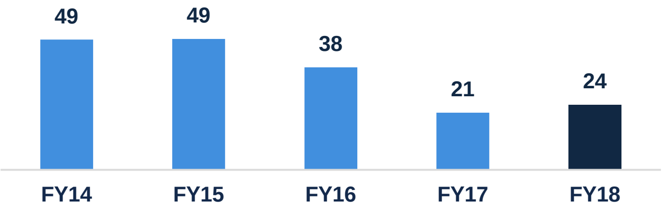
Credit metrics

Key metrics reflecting financial strength

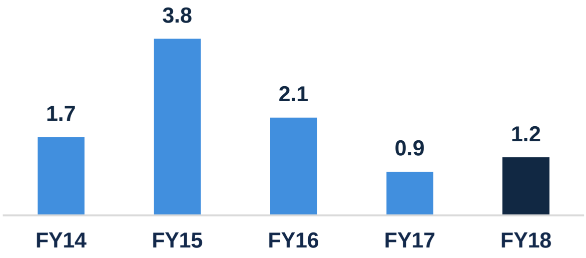
Gross gearing (%)



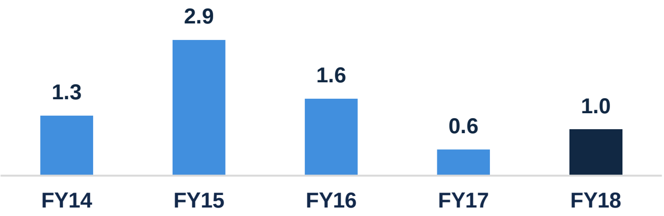
Net gearing (%)



Gross debt to underlying EBITDA (x)

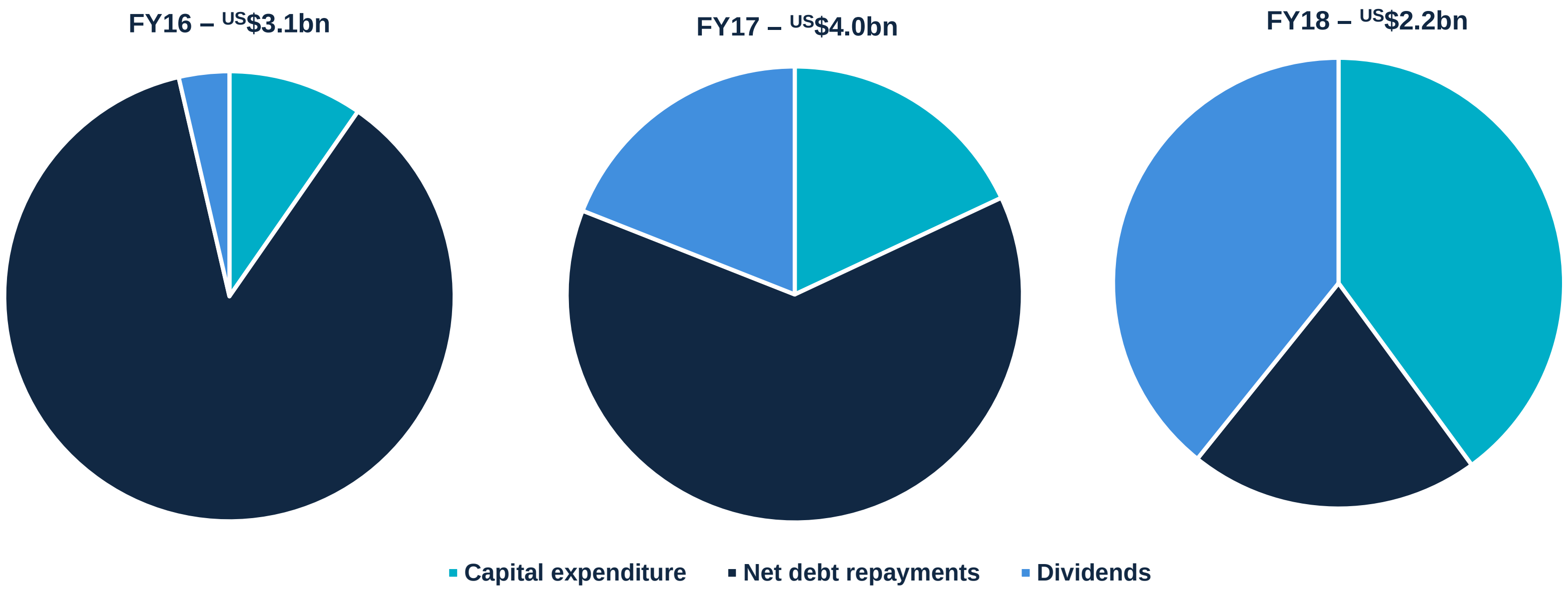


Net debt to underlying EBITDA (x)



Capital allocation

Increased returns to shareholders following rapid de-gearing of balance sheet



FY19 capital expenditure

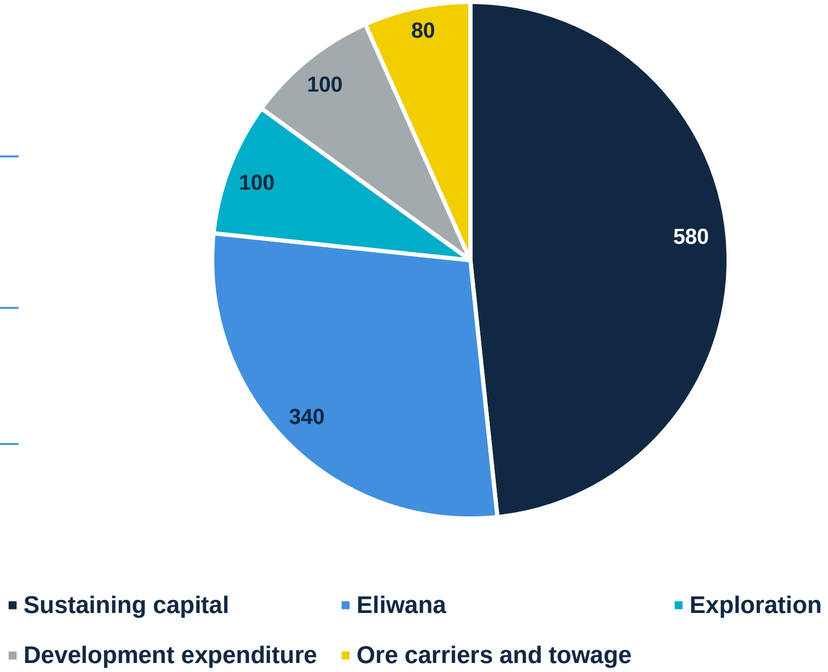
Disciplined capital allocation, investing in the core iron ore business, innovation and growth

Sustaining capital ~**$3.50/wmt**

Investing in **innovation**

Exploration and **growth**

Eliwana mine and rail Project



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Market

Diverse product suite

CISA Iron Ore Technical Application Forum

Excellent **value in use**

Higher **sintering productivity**

Quality **control** and product **consistency**

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Eliwana mine and rail project

Underpins West Pilbara Fines

US**$1.275bn** capital investment

143kms rail; **30mtpa** dry OPF

Initial **strip ratio 1.1:1**

First ore on train **Dec 2020**

West Pilbara Fines

	WPF	Platts Benchmark
Iron content (Fe)	60.1	61.5
Alumina (Al_2O_3)	2.3 - 2.5	2.3
Silica (SiO_2)	4.3 - 4.5	3.7
Phosphorous (P)	0.08 – 0.09	0.1

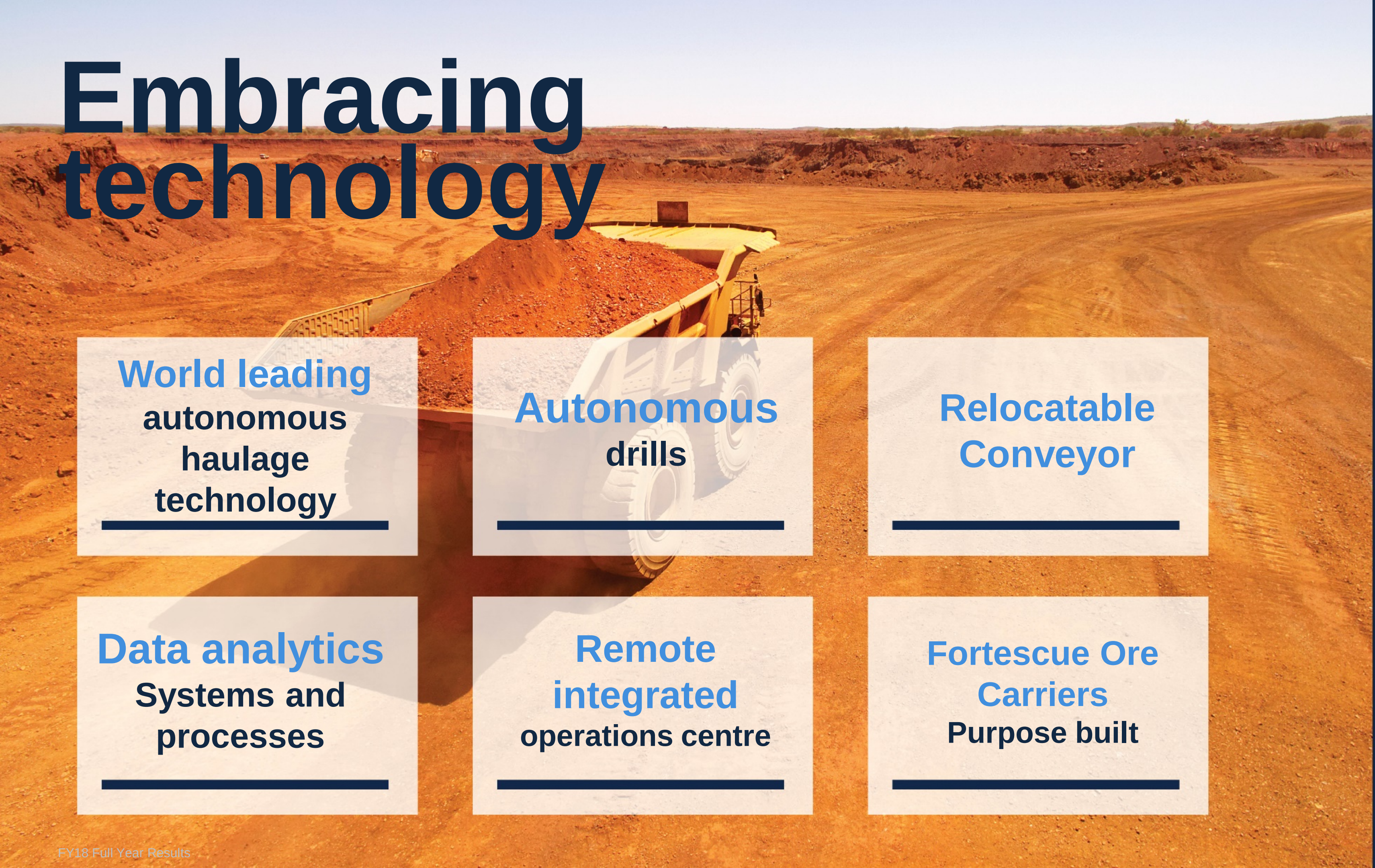
First shipment scheduled Dec 2018

5-10mt in FY19

Growing to ~40mtpa for 20+ years on completion of Eliwana

Growth and development

Embracing technology



World leading
autonomous haulage technology

Autonomous
drills

Relocatable Conveyor

Data analytics
Systems and processes

Remote integrated
operations centre

Fortescue Ore Carriers
Purpose built

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Significant Pilbara footprint for long life production

Active exploration

Pilbara
Iron ore, lithium

NSW
~2,000km^2 tenure

South Australia
~6,000km2 tenure

South America
Ecuador, Colombia
Argentina

Focussed strategy

FY19 Guidance

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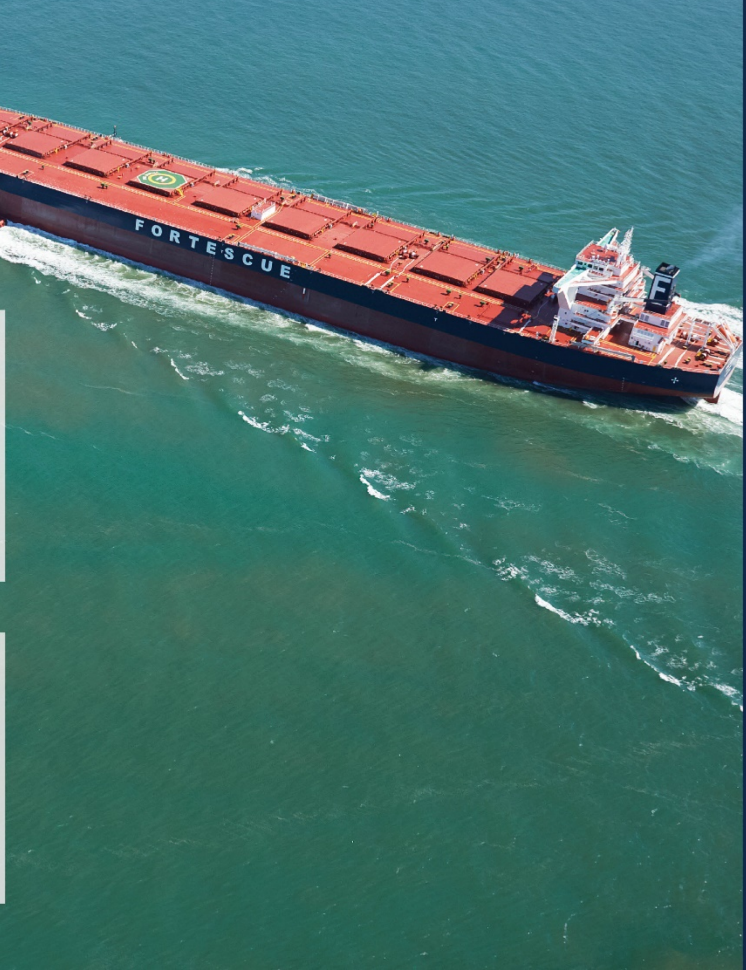
165-173mt
Shipments

US$12-13/wmt
C1 cost

US$1.2bn
Capital spend

Dividend policy
50-80%
pay-out of NPAT



Key strategic focus

Balance sheet strength

Long term sustainability

Growth and development options

Returns to shareholders

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Glossary

C1 - Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads.

CFR - Cost and freight rate

Dmt - Dry metric tonnes

Free cash flow - Net cash inflow from operations less capital expenditure

FY - Full year

Gross gearing – (Gross debt) / (Gross debt + Equity)

HY - Half year

mtpa - Million tonnes per annum

Net debt - Total borrowings and finance lease liabilities less cash and cash equivalents

Net gearing ratio - (Net debt) / (Net debt + Equity)

NPAT - Net profit after tax

TRIFR - Total Recordable Injury Frequency Rate per million man hours worked

SIFR - Significant Incident Frequency Rate per million hours

wmt - Wet metric tonnes

Underlying EBITDA - Earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses.

Underlying NPAT - Net profit after tax adjusted for the after tax impact of one-off refinancing and early debt repayment costs.

The reconciliation of underlying EBITDA and underlying NPAT to the financial metrics disclosed in the financial statements prepared under the Australian Accounting Standards (AAS) is presented below:

	30-Jun-18 (US$m)	**30-Jun-17 (US$m)**
Operating sales revenue	6,887	8,447
Cost of sales excluding depreciation and amortisation	(3,665)	(3,661)
Net foreign exchange gain	29	13
Administration expenses	(70)	(56)
Other income	1	1
Underlying EBITDA	3,182	4,744
Finance income	24	19
Finance expenses	(652)	(502)
Depreciation and amortisation	(1,277)	(1,243)
Exploration, development and other	(32)	(51)
Net profit before tax	1,245	2,967
Income tax expense	(367)	(874)
Net profit after tax	878	2,093
Cost of early debt repayment after tax	202	41
Underlying net profit after tax	1,080	2,134

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